

# ICF Completion Report – October- 2015- September- 2016

## 1. Executive Summary

This report reviews the operational processes of the Local Sourcing for Partnerships project for a 12 month period- October 2015- September, 2016. The report focus areas are on training and capacity building, business counseling and mentorship and promotion of local content as an approach to building sustainable businesses and job creation in the COMESA region.

The direct beneficiaries of the project are Small and Medium Enterprises, herein described as growth enterprises. The scope of implementation is in six countries namely; Zambia, Uganda, Kenya, Rwanda, Malawi and Ethiopia. It should be noted that this project has been set up as a pilot phase that will stem the growth of a larger project to provide the same technical and productive capacity assistance to the industries in more countries.

The project implementation model focused on a demand driven approach, focusing on i) suppliers of high value agricultural products and ii) corporate buyers in the hospitality and food and beverages industry. The direct interests of the two parties have driven the success of the project to ensure the following;

- i. Upgraded facilities at the firm level for farmers/ food suppliers*
- ii. Compliance to food safety standards to a level that allows companies to be listed by corporates*
- iii. Commitment by 13 buyers to provide a percentage of their purchasing business to the pool of suppliers under the project- provided they comply to standard requirements*
- iv. Actual supply contracts signed between buyers and suppliers at a national and regional level.*

Secondly, the model also focused on the triple helix approach- involving public sector (Ministry of Trade)private sector(Relevant associations as champions and industry beneficiaries) and the bureaus of standards(Quasi-Government institutions)to support its implementation. The bodies formed the National Steering committee at a national level, and have been our channel to ensure project continuance and sustainability after the end of project.

This report therefore highlights the objectives, achievements, challenges met, lessons learnt and recommendations on the sustainability of the project. The project was funded as 275,000 US\$ from CBC, USAID and private sector (30%) and 650,000 US\$ by Investment Climate Facility-ICF(70%). The total budget of the project was 925,000 US\$.

## 2. Background

The objective was to increase local sourcing from small growth enterprise by large corporate companies in the COMESA region in order to create jobs and economic development. The project statement of the problem focused on the low sourcing from local enterprises in domestic markets due to the some of the following issues;

- Poor information circulation on legitimate suppliers
- Failure to meet purchasing and quality control requirements of buyers
- Inconsistency in meeting time, cost, quality and supply from buyers

The project response was to set up a model approach of strengthening suppliers to meet buyer requirements on the one end. The first approach was done through training on the food safety standards – Hazard Analysis and Critical Control Point (HACCP), a preventive mechanism to recognize the physical and biological hazards that are detrimental to food safety requirements. Secondly, a number of MoUs were signed between buyers and CBC to voluntarily engage businesses on responsible procurement practice through the project and to source from the pool of enterprises we trained. Thirdly, in response to the information gap- a supplier-distributor platform has been built online- known as CBC-Link . Lastly, in a bid to create incentive for further involvement of businesses the COMESA Local Sourcing Partnership Certificate of Recognition Award was developed.

### Expected outcomes:

1. 480 SMEs trained on HACCP
2. 720 companies on the online Portal
3. 9 buyers partnership forged per year– MOUs
4. A Number of supplier agreements signed

### **Actual achievements:**

1. 480 SMEs trained in Phase 1, and 344 SMEs trained in Phase 2 towards certification level
2. 1,841 companies are online through the CBC –BIZNET
3. 13 companies have signed MoUs with the CBC.
4. 9 companies awarded the LSP Certification of Recognition.
5. At present about Ten(10) companies are engaging in supplier contracts with buying partners as a result of the project. Three (3) companies have been listed on regional shelves. Cross border linkages have shown one company sourcing barley from a neighboring country (Rwanda-Uganda) while another company sourcing raw pineapple from neighboring country (Rwanda-Uganda).

### **Key challenges:**

1. Timelines – the project was implemented in one year, though stakeholders felt it was too short to achieve all its objectives.
2. Maintaining information and communication channels with suppliers; given the limited online use of the industry, the project relied mostly on phone calls and smses to manage each country cluster.
3. Reluctance to invest in quality management; a limited number of companies showed willingness to invest their own monies on food safety requirements. This indicates the companies who will become sustainable after project completion.

### **Key lessons and recommendations:**

#### *Key lessons*

1. Government level; Important to have Public engagement in project that can be sustainable after the project completion.
2. CBC/Private sector level: Associations have also adopted the LSP model as a service that they can give to their members at a cost.

#### *Key Recommendations*

- The private sector associations should approach various stakeholders to support the sustainability of the project, most especially in onsite training, market linkages and firm level counseling and advisory support.
- There is need for a quarterly buyer –supplier platform to ensure information flow amongst the two business parties. There should be the presence of Ministry of Trade and the Bureaus of standards to ensure regulatory issues are addressed.

#### *Project level recommendations:*

- There is a need to replicate this model to include a larger expansion of COMESA countries who have a trading partnership. The model has proven successful in the short term of its implementation(1 year)

## **Assessment of the Project**

### **1. Relevance**

The project objective was to build the capacity of 480 food suppliers in six countries, to meet the standard requirements of a number of buyers and access markets at a firm level. This was to be done through capacity building at a technical level, facilitating business linkages and engaging public-private approaches to ensure sustainable partnerships are established in each country where the project was implemented.

The statement of the problem was that there is low local SME sourcing by corporate companies in the COMESA region. The validity of this is clearly indicated through the findings of the project that showed most corporates sourcing their high value products from countries that could meet their standard requirements- ie- Ethiopian Airlines sourced 3000 KGs of Chicken per day from Dubai. The capacity of the local industry to meet the volumes required by companies remains low and this is because of high production costs locally, and limited understanding of the needs of the buyers and what can be supplied by the farmers.

In this regard, the project highlighted these gaps in each country and raised awareness on the capacity constraints of the farmers in terms of quality management and other pre-requisite requirements that are a necessity to establish

partnerships with a potential buyer. The project also provided six months of onsite, field and classroom training on the Hazard Analysis and Critical Control Point – HACCP standard, as the most basic form of certification for SMEs to access markets regionally. Lastly, the Project responded to the information gap by establishing Private-Private dialogues between buyers and suppliers. The project has also recommended that such dialogues should be held on a quarterly basis at a national level.

The project design was very conclusive on focusing on a specific interest of strengthening enterprises at the firm level to comply to standards and assisting them to access purchasing systems of corporate companies. It should be noted that these have been achieved in the said period of one year.

## 2. Effectiveness

The targeted milestones of the project were as follows;

Project indicators		Baseline	Mid Target	End Target	Impact	
		Q3 2014	Q2 2015	Q4 2015	Q4 2017	
Impacts	1.2	Small growth enterprise jobs created	-	-	-	43
	1.1	Average small growth enterprise revenue growth	-	-	-	10%
Outcomes	2.4	COMESA local sourcing recognition certificate received by corporate companies/ customers	-	-	-	5
	2.3	Local sourcing share by participating companies/ costumers	TBD	-	TBD	20%
	2.2	No of small growth enterprises with local sourcing contracts	-	-	48	144
	2.1	No of partnership agreements signed between customers and Council	-	5	9	30
Intermediate results	3.4	No of growth enterprises in Business Linkages Portal	-	480	720	1,440
	3.3	Council Business Linkages Portal deployed	-	1	1	1
	3.2	Number of growth enterprises trained	-	-	480	N/A
	3.1	Training & business counseling curriculum and approach developed	-	-	1	1

The actual milestones achieved are as follows;

Project indicators		Baseline	Mid Target	End Target
		Q3 2014	Q2 2015	Q4 2016
Impacts	1.2	Small growth enterprise jobs created	-	-
	1.1	Average small growth enterprise revenue growth	-	-
Outcomes	2.4	COMESA local sourcing recognition certificate received by corporate companies/ customers	-	10
	2.3	Local sourcing share by participating companies/ costumers	TBD	TBD
	2.2	No of small growth enterprises with local sourcing contracts	-	12
	2.1	No of partnership agreements signed between customers and Council	-	13
Intermediate results	3.4	No of growth enterprises in Business Linkages Portal	-	1,841
	3.3	Council Business Linkages Portal deployed	-	1
	3.2	Number of growth enterprises trained	-	480
	3.1	Training & business counseling curriculum and approach developed	-	1

It should be noted that local sourcing share of buyer companies can only be rated after an ascertained period of time- as indicated in 2017. It should also be noted that the revenue growth of the businesses trained is reviewed as a long term result to be rated in 2017.

In view of the above, impact of the project on increased revenue, increased employment are viewed as long term results that will be based on the continued relationship between the supplier and buyer once a contract has been signed. To date 12 contracts have been signed. This is an indicator of increased revenue for the enterprises which should have a multiplier effect on job creation and operational sustainability.

The outcomes of the project were as follows;

- <i>One HACCP Training curriculum developed</i>
- <i>Phase 1 Training for SMEs: 480 SMEs trained</i>
- <i>Phase 2- 344 SMEs trained and endorsed for certification- 2 categories- National and HACCP</i>
- <i>Business Linkage Portal</i>
- <i>Supply Chain Mapping: 34 sectors &amp; the details collected- 1,841 companies. They are 365 in Zambia; 271 companies in Rwanda; 318 companies in Kenya; 298 companies in Uganda; 294 companies in Malawi and 295 companies in Ethiopia. Details of the companies are on the CBC MarketNet/ CBC Link.</i>
- <i>MoUs with corporate buyers- 13 signed. The MOUs signed with key buyers include: Protea Hotel &amp; Taj Pamodzi Hotel in Zambia; Inyange Industries, Serena Hotel &amp; Bralirwa Breweries in Rwanda; Sarova Group of Hotels &amp; Nakumatt Holdings in Kenya; Serena Hotel, Protea Hotel &amp; Speke Group of Hotels in Uganda; Protea Hotel Ryalls in Malawi and Intercontinental Hotel &amp; Shoa Supermarkets in Ethiopia.</i>
- <i>LSP Recognition Certificate Award- designed and awarded at end of project event.</i>

In view of the above, 90% of the project is complete at the time of this report.

### 3. Efficiency

#### 3.1 On cost effectiveness:

The project budget costs were 925,000 US\$. The project has fully utilized all its funds. The critical activities of the project achieved include:

- i. Development of the HACCP training curriculum: A curriculum was developed for the training of the SMEs on the HACCP principles.
- ii. Training of SMEs on HACCP standards: 480 SMEs were trained in the six countries using a training curriculum that was developed with support from the SPS COMESA experts and the regional trainers.
- iii. Buyer Partnerships: 13 MOUs were signed between CBC and the private sectors corporate companies stipulating the modalities of collaboration on promoting local sourcing.
- iv. Supply Chain Mapping: 1,841 companies from 34 sectors in the six LSP countries had their information collected for uploading on the online portal.
- v. Business Linkages and Enterprise Intelligence Portal: The online portal has been developed with the same being launched on 15<sup>th</sup> of September 2016.

#### 3.2 Resource Utilization

During the course of project implementation, it was realized that some activity budget lines were underestimated in comparison to actual costs on the ground. This matter was specific to the training and capacity building budget was under-estimated. In order to balance these costs, funds that were to be used to outsource consultancy for supply chain mapping, were instead saved to be used training. The supply chain mapping was covered in-house by the communications expertise. Secondly, we also combined the IT development budgets to be covered by one firm, in order to allow us to have more support on the training. This has been successfully implemented.

Lessons learnt is that for future projects we should provide estimates while considering the inflation rates and other macro-economic dynamics of the countries in which the project is being implemented in.

#### 3.3 Timeliness

The project completion on the ground was on time, with the last field project completed in the last week of July. However, there has been setbacks in completion of the IT project, which is largely due to delays in procurement of the consultant- hence not meeting the process deadlines of the project. However, the IT platform is set to be complete by the 21<sup>st</sup> September, 2016- meeting overall project deadline of 31<sup>st</sup> September, 2016.

In this regard, the Actual Completion of Project has been successful.

#### 3.4 Proactivity and effectiveness

The project has been consistently interactive at a regional and national level.

- Internally the Project Management Team integrated into the CBC and became part of the team, also experiencing a cross pollination of skill sets from other projects under the institution.
- Externally at a national level, the national project implementation and governance structure was made up of the recognized business apex association, the SMEs association, Bureau of Standards and the Ministry of Trade and Industry.
- In terms of online communication, we have set up country online dialogue mails between suppliers and buyers, so that we receive feedback on the number of contractual engagements made as well as follow up on issues between the two parties.

The purpose of this level of interaction was to ensure that after the project completion, there would be a customization and implementation of the project beyond the one year. It is also expected that ownership would be at the national level, and the CBC would maintain an advisory role. Lastly, this project has been implemented as a Public-Private model approach- whereby once the project ends, the CBC will transfer the model to the Associations and Ministries of Trade to use and raise more funds for continued sustainability.

### 3.5 Governance structure- Steering committee

Externally at a regional level, the project governance structure was made of the industry leaders from Small and Medium Enterprises, Manufacturers Associations, Standards Experts and the COMESA Secretariat.

The steering committee has had physical and online meetings and approved the quarterly reports as they come. Further to this, in each of the six countries the Steering committee members have taken lead in implementing the projects working hand in hand with CBC. In this regard, transfer of project after completion has been a fairly easy process because ownership was established from the onset. The Steering committee members are as follows;

Names	
<b>Dr. Amany Asfour, Chairperson, COMESA Business Council</b>	
i.	Africa Regional Standardization Organization-Secretary General , Dr Hermogène Nsengimana
ii.	Kenya Association of Manufacturers- Chief Executive Officer , Ms. Phyllis Wakiaga
iii.	Kenya SME Associations- President, Mr. Richard Muteti.
iv.	Rwanda Association of Manufacturers- Executive Director, Ms. Claudine Mukeshimana
v.	Rwanda Private Sector Federation, Ms Yvette Mukarwema
vi.	Zambia Association of Manufacturers- President, Mrs Roseta Chabala.
vii.	Zambia SME Association- Business Development Officer , Ms. Thelma Kilale
viii.	Zambia Tourism Board, CEO, Mr. Felix Chaila
ix.	COMESA Director- IPPSD, Mr Thierry Mutombo
x.	COMESA Standards Officer- Mr. Mukayi Musarurwa/ COMESA Unit Head- SPS, Ms. Martha Byanyima

## 4. Impact

### 4.1 Impact Indicators

Project indicators		Baseline	Mid Target	End Target	Impact	
		Q3 2014	Q2 2015	Q4 2016	Q4 2017	
Impacts	1.2	Small growth enterprise jobs created	-	-	-	11
	1.1	Average small growth enterprise revenue growth	-	-	-	10%

The project has achieved some impact within the short time of less than a year that it has been implemented. These are demonstrable using the cases studies identified below:

Country	Impact
Zambia	<b>Contracts given to suppliers</b> <ul style="list-style-type: none"> <li>o Spar Supermarkets - Lotuno Enterprises( Fish Sausages)</li> <li>o Intercontinental- <ul style="list-style-type: none"> <li>• Surge Investments(meat supply-sausages)</li> <li>• Kasizi Cakes</li> </ul> </li> <li>o Taj Pamodzi- <ul style="list-style-type: none"> <li>• Palace foods enterprises(Strawberries) and</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>Surge Investments</li> </ul> <p><b>Production capacity building; SURGE INVESTMENTS</b></p> <ul style="list-style-type: none"> <li>Previous production pre- training- 50 kgs/week</li> <li>Currently- 300- 720kgs/week</li> <li>Pre- training- 2 Employees, post training- 6 employees</li> <li>Sales- 20-50kgs per week; Post training- 150- 200 kgs/week</li> <li>Income increase from 3,000kwacha/month to 15000kwacha per month</li> </ul> <p><b>Production capacity building: LUTUNO ENTERPRISES</b></p> <ul style="list-style-type: none"> <li>Pre training production 50-80kgs/week; Post- production- 100- 300kgs/week</li> <li>Pre-training- 2 employees, post training- 4 employees and some part time</li> <li>Sales- 80kgs/week, post training- 200-300kgs/week</li> <li>Income increase from 5,000kwacha to 10,000kwacha/week</li> </ul> <p><b>WANZANA- SPAKA Juices- improved on documentation and has now been certified by Zambia Bureau of Standards</b></p>
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Malawi	<p><b>Technical capacity strengthening</b></p> <ul style="list-style-type: none"> <li>Of the 45 trained-11 companies have been recommended by the consultant for various levels of onward support towards further training and/or certification.</li> <li>Of these, three companies have been recommended for the HACCP certification, with the need to take corrective action on some requirements in order to do so. A report on this has been generated.</li> </ul> <p><b>Contracts:</b></p> <ul style="list-style-type: none"> <li>Chipiku Plus Supermarkets – sourcing from Nali foods- Chilli sauces, vinegar, honey</li> <li>Chipiku Supermarkets - Five a Day Fruit and Veggie – fresh foods</li> </ul>
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Kenya	<table border="1"> <thead> <tr> <th>Companies</th> <th>Honey Care</th> <th>Kandia</th> <th>Kentaste</th> <th>Malindi Juices</th> </tr> </thead> <tbody> <tr> <td><b>No of employees</b></td> <td>Initially number of workers 70 personnel Current 50 Processes have been automated</td> <td>Casuals: Initially 75 Now 80 Permanent staff: now 14</td> <td>Initially 10 Now 30 workers</td> <td>Initially 11 Now 13 Casuals Upto 60/day</td> </tr> <tr> <td><b>Jobs created</b></td> <td>With introduction of 6 new products, 4 jobs will be created</td> <td>4 new position created in as a result of Biz Counselling implementation 1 QC, 1, Marketer 2 drivers</td> <td>New Positions: 1 Quality Assurance 5 in sales &amp; marketing 4 in Merchandising 1 Sales coordinator 1 Sales &amp; marketing associate 2 Drivers in supply chain (1 in Mombasa &amp; 1 in Nairobi)</td> <td>New positions created Quality Supervisor &amp; Maintenance supervisor</td> </tr> <tr> <td><b>Production</b></td> <td></td> <td>Initially 2 tonnes/month Now 6 tonnes per month</td> <td>Has capacity of 8000nuts/day (600 litres of coconut milk &amp; cream) Initially producing 120/day Now 200-300L/day Targeting 480-500L/day by end of the year</td> <td>Production is seasonal: December, January &amp; February: Initially 92 Drums of each carrying 215 kgs of juice packed in Septic bags May, June &amp; July: Currently doing 3000 drums Target for December 7500 drums Initially 3M/Season</td> </tr> <tr> <td><b>Incomes (turnover)</b></td> <td>Initially 3-4m/month Current: 11m/month 6 new products being introduced with target turnover of 11m/month</td> <td>Initially 2m/Month now 6M/month (income is 1m/tonne)</td> <td>Initially 2-3m/month Now 4.5-6m/Month</td> <td>Now 12M/season following new order from Tanzania after being promised implementation of ISO 22000. 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Rwanda	<p><b>Contracts given:</b></p> <ul style="list-style-type: none"> <li>Zirakamwa Dairy- Process of contracting with NAKUMATT</li> <li>Norelga- Process with Grand Legacy and Serena</li> <li>BRALIRWA- met with 13 Barley farmers in Uganda and currently testing their products.</li> <li>2 Fresh pineapples supplier companies have met with Inyange and are looking to seal contracts.</li> <li>18 companies recommended for certification- and they have been added as part of the</li> </ul>
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	<p>Ministerial agenda of certification for 50 Companies</p> <ul style="list-style-type: none"> <li>◦ Buyer – Supplier platform has been included as a quarterly meeting with private sector. Radisson to host next meeting.</li> </ul> <p><b>Technical capacity building</b></p> <ul style="list-style-type: none"> <li>◦ Zirakamwa Dairy- Readiness for first stage audit of HAACP certification , already got the National standard</li> <li>◦ NOREGLA MACADEMIA NUT- readiness for HACCP</li> <li>◦ FUMBWE Farms- Yoghurt; In process to get S- Mark and moving towards the HACCP.</li> </ul>
<b>Uganda</b>	<p><b>Technical Capacity Building</b></p> <ul style="list-style-type: none"> <li>- Implementation of Corrective Actions and improved the levels of their businesses by having more sales.</li> <li>◦ Touch Express; compliance with standards have improved and is able to supply better quality fish fillets which has resulted into more orders of about 12 tones per week; and number of skilled employees increased by 8 and semi-skilled by 4.</li> <li>◦ Namulonge Horticulture Farmers Association; supply some Embassies/High Commissions in addition to Speke Hotels in Uganda.</li> </ul> <p><b>Contracts</b></p> <ul style="list-style-type: none"> <li>- Fresh Pineapple food supplier- KIKA Farms is currently working on a contract with Inyange Rwanda.</li> <li>- 13 Barley Producers- established working partnership with BRALIRWA Rwanda.</li> </ul>
<b>Ethiopia</b>	<p>Three SMEs that have shown Improvement during the mentorship have a good background for food safety certification. These include;</p> <ul style="list-style-type: none"> <li>- Axum Yemar Tej and Hulegeb Baltena PLC,</li> <li>- Felekeche Wodajo Packed Foods Enterprise and</li> <li>- Tseratsion Andinet Abuneteklehaymanot Peanut Butter Production.</li> </ul>

#### 4.2 Project Catalyst efforts

To date we have received feedback from Rwanda that of the 18 companies have been included in an ongoing project for full certification of SMEs in the country. Secondly, Radisson a new entrant in the Rwandan market has offered to sponsor the next buyer- supplier platform as a means to support the potential food suppliers to comply to the hotel's standard requirements.

We have also noted that 13 barley farmers are looking to supply across borders from Uganda to Rwanda- through the establishment of partnership with BRALIRWA a brewery company with 45% shareholding by Heineken. In the same thread, three companies in Uganda are forming a cooperative in order to supply raw pineapples to a company in Rwanda- Inyange a juice and dairy processing plant. This highlights impact at a regional level- promoting the overall agenda of Intra-trade in the COMESA region.

Lessons learnt from the above is that a project of this nature needs close follow up and continuous communication to ensure that all parties are engaged on a common agenda of promoting local sourcing of products. Secondly, it is noted that such a project needs to be implemented beyond a year. The timeline of capturing impacts was too short. In follow up actions, this project has been expanded to look at three year timelines.

### 5. Sustainability

- *Financial resources*; Following the completion of the project , funding mechanisms from AfDB and USAID have been mobilized to support the further continuation of the model and also to include more countries.
- *Human capacity*; CBC is in the process of looking for fund support to ensure continuation of the Project Management Team. Through the project , we have been able to extend the PMT to continue their services until December, 2016.
- *Continuity*; The Project model will be handed over the National Steering Committees in the six countries , who will then mobilize funding within their existing partnerships to continue the project.
- *Capacity and capability* ; The National Focal Points for CBC as well the relevant ministries are working with the SMEs, having taken them on board as a agricultural cluster. As such some of them have designed programmes to support

local suppliers to meet their requirements and checklists; a case in point is the Tusksys Supermarket in Kenya. On another front the Radisson Blu Hotel in Rwanda is planning on hosting a buyer seller meeting, first of its kind, to provide LSP suppliers with more information on supplying the corporate companies. Further, the contracts which the suppliers are getting from the buyers are expected to be sustained. Moreover the relationships and partnerships created are not limited to the project period and are expected to yield in future for the SMEs.

- As part of its actions on sustainability, a clearly documented exit strategy needed to be carried out. As such the CBC, ensured from the beginning that a national steering committee was set up , and this may have enabled to a certain extent, project ownership right from its inception. It also assisted the national stakeholders to take over the project after the period of completion.
- Further while LSP was a very good project with an exemplary model the concept of promoting local sourcing is not unique to the project. Other stakeholders including the government and the other NGOs are working on the same. It is for this reason that the partnership approach at the beginning of the project supported the aspect of leveraging on some of the works done in terms of providing certification for companies who have complied to standard requirements.